

Message Text

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TAGS: EGEN, AR

SUBJECT: POLITICAL PARTIES CRITICIZE ECONOMIC SITUATION

REF: BA-1751

1. OVER LAST SEVERAL MONTHS, POLITICAL PARTIES HAVE STEPPED UP CRITICISM OF GOA ESPECIALLY IN ECONOMIC AREA. MAJOR POINTS OF PARTY DOCUMENTS PROVIDE INTERESTING COMMENTARY ON CURRENT ECONOMIC SITUATION.

2. JANUARY 1975, ALVARO ALSOGARAY, HEADING NUEVA FUERZA PARTY, PUBLISHED SIGNIFICANT STUDY ON ARGENTINE SITUATION IN 1975, PROPOSING MAJOR RESTRUCTURING OF ECONOMIC AND SOCIAL ORDER. ACCORDING TO ALSOGARAY:

-----PERON'S SHADOW HAS COVERED ARGENTINA FOR LAST 30 YEARS IMPEDING REALISTIC DISCUSSION OF ECONOMIC PROBLEMS. TIME HAS COME FOR CHANGE.

-----ARGENTINA CURRENTLY IN CRISIS. MAJOR ELEMENTS INCLUDE:

1) GENERALIZED SUBVERSION; 2) POLITICAL IRRESPONSIBILITY;
3) ECONOMIC CHAOS; 4) WIDE SPECULATION AND CORRUPTION.

-----ACHIEVEMENT OF FINANCIAL RESPONSIBILITY REQUIRES RETURN TO MARKET FORCES, IN PARTICULAR ECONOMIC, AS OPPOSED TO POLITICAL, PRICES AND CREDIT, FREE INTEREST RATES, AND A FREE AND REALISTIC EXCHANGE RATE. ALSOGARAY

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ALSO EMPHASIZES TAX REFORM INCLUDING CREDITS FOR USEFUL

INVESTMENT.

-----RESTRUCTURING OF ECONOMY SHOULD BE CARRIED OUT BY TRANSFERRING TO PRIVATE SECTOR MOST ACTIVITIES UNDER STATE CONTROL, AND ELIMINATING ALL FORMS OF SPECIAL PRIVILEGE AND MONOPOLY. REMAINING STATE ENTITIES SHOULD BE OPERATED ACCORDING TO ECONOMIC CRITERIA.

3. IN LATE FEBRUARY, RADICAL PARTY ISSUED A CRITIQUE OF ECONOMIC SITUATION FOCUSING ON CURRENT PROBLEMS AND THEIR SOLUTION. ACCORDING TO RADICALS:

-----PUBLIC SECTOR IRRESPONSIBILITY IS MAJOR CAUSE OF ADVERSE ECONOMIC SITUATION. 1975 BUDGET UNREALISTIC REAL DEFICIT DISGUISED BY REPLACING TREASURY WITH OFFICIAL BANKS AS SOURCE OF FINANCING FOR PUBLIC ENTITIES. IMPORTANT ACCOUNTS, INCLUDING PARTICULARLY THOSE HANDLED BY MINISTRY SOCIAL WELFARE, NOT PROPERLY CONTROLLED. PUBLIC SECTOR PERSONNEL HAVE INCREASED SUBSTANTIALLY, AND CERTAIN PROVINCIAL GOVERNMENTS MISUSING FEDERAL FUNDS.

-----IN PRIVATE SECTOR, INVESTMENT CONTINUES STAGNATE.

GOA PRICE POLICY FIRST TOO FLEXIBLE, PRODUCING CURRENT INFLATION.

-----UNREAL PARITY (RADICAL CRITIQUE ISSUED BEFORE DEVALUATION) HAS CREATED EXPORT PROBLEMS, EXCESS IMPORT DEMAND, INCENTIVE FOR REMITTANCE, EXCESS ARGENTINE TOURISM ABROAD, AND IMPEDIMENTS TO CAPITAL INFLOW.

-----TO RESOLVE SITUATION, REAL AUSTERITY IN PUBLIC SECTOR IS NECESSARY AND PRIVATE SECTOR INVESTMENT MUST BE STIMULATED. IN EXTERNAL SECTOR, FOREIGN EXCHANGE RESERVE LEVELS MUST BE CLOSELY MONITORED AND FURTHER EXTERNAL DEBT ONLY INCURRED IN CASE OF PRIORITY INVESTMENT. DEVALUATION ITSELF, WITHOUT ACCOMPANYING REFORM, WILL ACCOMPLISH NOTHING.

4. MARCH 11, FRONDISI'S MID PUBLISHED ECONOMIC AND POLITICAL CRITICISM OF GOA, WHICH PROFOUNDLY SHOOK FREJULI FRONT (BA-1751). ACCORDING TO MID:

-----DETERIORATION OF POPULAR FRONT AND NATIONAL SITUATION IS EVIDENT. PREOCCUPATION OVER RETAINING FRAGILE STABILITY HAS REPLACED GREAT EXPECTATIONS ACCOMPANYING FREJULI VICTORY OF MARCH 1973. PRESENT POLITICS INSPIRED LIMITED OFFICIAL USE

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BY MONOPOLY INTERESTS WHICH THRIVE ON STAGNATION.

-----CURRENT ECONOMIC SITUATION CHARACTERIZED BY INFLATION RATE HIGHEST IN DECADE, INCURABLE BUDGET DEFICIT, STAGNANT INVESTMENT LEVELS, DEPRESSED AGRICULTURAL SECTOR, AND AN INVESTMENT LAW WHICH HAS ISOLATED ARGENTINA.

-----SOCIAL AND ECONOMIC DISCONTENT OVER SITUATION INCREASING IN ALL CLASSES. ANTI-SUBVERSIVE STRUGGLE ESPECIALLY DIFFICULT TO PURSUE WHILE ECONOMIC AND SOCIAL

SITUATION DETERIORATING DAILY.

-----COUNTRY REQUIRED REVOLUTIONARY SHIFT IN DIRECTION
ALONG LINES VOTED MARCH 1973. MID REMAINS LOYAL TO
FREJULI AND PREPARED HELP INITIATE CHANGE.

5. ON MARCH 13, FRANCISCO MANRIQUE'S PARTIDO FEDERAL
ISSUED YET ANOTHER DOCUMENT ANALYZING AND CRITICIZING
ECONOMIC SITUATION. ACCORDING TO PARTIDO FEDERAL:
-----ECONOMY CHARACTERIZED BY UNCONTROLLED INFLATION,
DOMESTIC SHORTAGES, AN ACTIVE BLACK MARKET, EXPANDING
BUDGET DEFICIT, CONTRACTION OF PUBLIC SECTOR INVESTMENT,
LACK PRODUCTION AND EXPORT STIMULUS, SIGNIFICANT LABOR
ABSENTEEISM, INAPPROPRIATE EXCHANGE RATE, DECAPITALIZATION
OF AGRICULTURE SECTOR, AND INCOME REDISTRIBUTION IN FAVOR
OF SPECULATORS RATHER THAN WORKERS.

-----CHANGES IN ECONOMIC POLICY URGENTLY REQUIRED. NATIONAL
SAVINGS SHOULD BE CHanneled TO PRODUCTIVE INVESTMENT,
DOOR SHOULD BE OPENED TO FOREIGN CAPITAL, PUBLIC SECTOR
DEFICIT SHOULD BE REDUCED, AND PRICES SHOULD BE RAISED
TO REASONABLE LEVELS. IN GENERAL, GOAL SHOULD BE PRODUCTION
INCREASES WITH POSITIVE INCOME REDISTRIBUTION, NOT ONE OR OTHER.

6. COMMENT: POLITICAL PARTIES APPEAR TO BE INCREASING
FIRE AGAINST PERONISTS, TAKING AIM AT VULNERABLE GOA
MISMANAGEMENT OF ECONOMY - PARTICULARLY UNDER PREVIOUS
MINISTRY OF ECONOMY. HOPEFULLY, RISING CRITICISM WILL
STIFFEN GOA POLITICAL WILL TO SEEK NECESSARY ECONOMIC
REFORM, THROUGH IT APPEARS LIKELY ECONOMIC CHANGES WILL
NEED TO BE PRECEDED BY CHANGES IN PRESENT
POLITICAL POWER BALANCE.
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